

## Message Text

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ACTION EUR-12

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E.O. 11652: N/A  
TAGS: ECON, GE  
SUBJECT: SHARP DECLINE IN GDR IMPORTS FROM INDUSTRIALIZED  
- WEST IN 1977

REF: (A) BERLIN 1359, (B) 77 BERLIN 6480, (C) BERLIN 0409

1. ANALYSIS OF FIGURES CONTAINED IN THE HONECKER  
FEB. 17 ADDRESS TO KREIS LEVEL PARTY FIRST  
SECRETARIES (REF A) SUGGESTS THAT GDR IMPORTS FROM  
THE INDUSTRIALIZED WEST DECLINED SHARPLY IN 1977.  
WHILE THE MID-YEAR STATISTICAL REPORT OF THE CENTRAL  
STATISTICAL ADMINISTRATION STATED THAT GDR TRADE  
WITH THE WEST INCLUDING LDC'S HAD RISEN BY 7 PERCENT  
OVER THE FIRST HALF OF 1977, (REF B), THE FIGURE  
QUOTED BY HONECKER OF 26.3 BILLION VALUTA MARKS  
IN TRADE TURNOVER WITH THE WEST IS A FULL 6 PERCENT  
LOWER THAN 1976, IMPLYING A SIGNIFICANT DOWNTURN  
IN TRADE IN THE FINAL HALF OF THE YEAR.

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2. ADDING TO THE ANALYSIS THAT GDR TRADE WITH LDC'S  
IS SAID TO HAVE INCREASED IN 1977 (REF C), WE CALCULATE  
THAT TOTAL GDR TRADE WITH THE  
INDUSTRIALIZED WEST SLID 9.5 PERCENT IN 1977. TAKING  
FURTHER INTO ACCOUNT THAT GDR EXPORTS TO THE FRG,  
AUSTRIA, SWEDEN, DENMARK, THE NETHERLANDS, USA, JAPAN,

AND FINLAND ARE SUPPOSED TO HAVE INCREASED IN 1977, GDR IMPORTS FROM THE INDUSTRIALIZED WEST MAY HAVE DECLINED EVEN MORE THAN THE 9.5 PERCENT DOWNTURN IN TRADE TURNOVER.

3. COMMENT: SINCE GDR IMPORTS OF GRAIN FROM THE WEST REMAINED STABLE, OR ROSE SLIGHTLY IN 1977, THERE IS LITTLE EXPLANATION FOR A SHARP DOWNTURN IN NON-AGRICULTURAL IMPORTS BY THE GDR FROM THE WEST OTHER THAN AS EVIDENCE OF A GDR EFFORT TO REDUCE IMPORTS FROM HARD-CURRENCY AREAS AND SLOW THE GROWTH OF ITS HARD CURRENCY DEBT. IF THE GDR IS PURSUING SUCH AN OPTION, AS APPEARS LIKELY, IT WOULD INVOLVE A TRADEOFF IN RISKS. ON ONE HAND, THE GDR WOULD BE FOLLOWING A CONSERVATIVE FINANCIAL COURSE THROUGH WHICH IT COULD PRUDENTLY HOPE TO AVOID THE RISKS INHERENT IN EXPANDING WESTERN BORROWING TO FINANCE A LARGE HARD-CURRENCY DEBT. IN FOLLOWING THIS COURSE, HOWEVER, THE GDR WOULD BE CLOSING THE SPIGOT PART WAY ON THE FLOW OF CAPITAL EQUIPMENT AND TECHNOLOGY FROM THE WEST AND REDUCING LONG-TERM MODERNIZATION AND INNOVATION IN ITS ECONOMY.

4. ACCORDING TO AN EMBASSY CALCULATION, U.S. NON-AGRICULTURAL EXPORTS MIRRORED THE OVERALL TREND, DECREASING FROM \$12.4 MILLION IN 1976 TO \$8.4 MILLION LIMITED OFFICIAL USE

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IN 1977. OVERALL U.S. EXPORTS, HOWEVER, PRIMARILY OF BULK AGRICULTURAL COMMODITIES, DO NOT APPEAR TO HAVE BEEN AFFECTED AND CONTINUED LARGE SURPLUSES IN U.S. TRADE WITH THE GDR ARE IN PROSPECT. END COMMENT. BOLEN

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## Message Attributes

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